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IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1946.

Nos. 70, 71

EDWARD KATZINGER COMPANY,

Petitioner,

vs.

CHICAGO METALLIC MANUFACTURING COMPANY,

Respondents.

PETITION FOR RECONSIDERATION AND REHEARING.

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Now comes the petitioner, Edward Katzinger Company, and petitions for reconsideration and rehearing for the following reasons:

(A) In the next to the last paragraph of the majority opinion the court states "Metallic's obligation to pay royalties and its agreement to sell at prices fixed by Katzinger constituted an integrated consideration for the license grant. Consequently, when one part of the consideration is unenforceable because in violation of law, its integrated companion must go with it."

The court has merely found Jackson Patent 2,077,757 invalid. There were three other patents, D 108,140, D 108,141 and D 108,573 (R. 71 p. 3) upon which the price fixing agreement could have been based, and which constituted a valid consideration.

Price fixing was never applied to Bake King—it was only applied to Bakerex. There is no finding here that Bakerex infringed only Patent 2,077,757. If it infringed any of the other patents, and we assert it did, and there is no assertion to the contrary, then price fixing was legal if the other patents were valid. They have not been found invalid.

No price list was ever issued on Bake King (R. 71 pp. 73, 67). There is no showing on the record that price fixing was illegal as respects Bakerex.

The majority of the court seems to feel that the fact that a price list was issued in October 1937 (it was the only one R. 71 p. 67) determines the case. That list applied only to Bakerex. No list was issued for Bake King. Katzinger didn't want any price fixing (R. 71 pp. 63-4) and Metallic didn't want it for Bake King (R. 71 p. 73).

On October 20, 1939, the old contract was merged in a new one in which the royalty was reduced from 5 to 2½% (R. 71 pp. 17-18). No price lists were issued thereafter, and neither party wanted one.

Thus the only price fixing, if it can be called that, was on a product not here involved, it was prima facie legal, and the contract was amended on a new consideration *so far as Katzinger* is concerned, after the original lists became obsolete.[1]

[1] In the absence of any change in prices, they were obsolete because they were supposed to impose a differential of the amount of the royalty. When that changed from 5 to

The license under these other presumptively valid patents constituted a perfectly valid and still existing consideration for the estoppel.

(B) In the last paragraph of the majority opinion it is stated, "The royalties here claimed accrued, if they accrued at all, prior to the time the license agreement terminated. Consequently, the fact of subsequent termination does not free the promise to pay royalties from the taint of the price-fixing provision."

The basis of the counterclaim was not a cause of action for royalties. Katzinger had sued for royalties in the *state court* at the time the agreement was terminated. Its counterclaim in the federal court had to be for infringement, there being no diversity of citizenship between the parties. Therefore, royalties could not be the basis for any action here. Any relief as to royalties had to be ancillary to the infringement complaint. The only action upon which jurisdiction could be sustained, was one for an injunction and damages for infringement of the patent. No liability for infringement could have accrued while there was price fixing, because there was an existing license.

(C) The opinion states in paragraph 3 that Katzinger prayed for an accounting of unpaid royalties "to be computed at 2.5 per cent to 5 per cent of the sales price which was governed by the minimum price list attached to the license."

Katzinger's prayer did not pray for relief under the

2½% they were obviously useless. The record is not too clear on many of the points concerned with the defense of illegality, because the point was not pleaded, nor was it urged until after the trial had closed.

price provisions of the minimum price schedule. It was stipulated that royalties had been paid except upon the "Bake-King" line. It was conceded that there was no price schedule for the "Bake-King" line (R. 71 pp. 67, 73).

Katzinger has never requested that royalties be paid other than on the actual sales price of Metallic, and if it had, that could easily have been corrected by the decree.

(D) The opinion states in paragraph 6 that "Federal courts must, in the public interest, keep the way open for the challenge of patents which are utilized for price-fixing of interstate goods."

This is a plain implication that there were interstate sales of the goods here concerned. The majority of the court in paragraph 2 of the opinion refers to the testimony that Metallic sold pans over a large part of the country. This is not a proof of interstate sales. All the sales could have been intrastate. There was no allegation of interstate sales and the burden of proof of this was certainly on Metallic.

E.

We believe that this court should reconsider its decision in the *McGregor* v. *Westinghouse* case for reasons we will urge below, but even if that case remains the law, it should not bar the estoppel here.

We urge that the estoppel be considered valid under all conditions because the public interest will best be served by so doing.

If estoppel by license or contract is restricted, then the tendency will be for patent owners:

a. To refuse to grant licenses.

b. To have a patent adjudicated before granting a license.

c. To collect royalties in advance.

The Department of Justice for years has sought to encourage or force patentees to grant licenses in order to increase competition. The decision of this Court is certain to have the opposite effect.

A license should be regarded as a settlement, and as a settlement it should be encouraged and should be regarded as closed on both sides. A policy which promotes settlements and leaves them final has proved historically to be best for the most people.

Whatever decision may be reached on the question of estoppel in general, however, the facts of the present case should result in a finding for Katzinger.

Petitioner finds itself in a very peculiar position. It did not seek price fixing. It did not enforce price fixing. Whatever price fixing there was, if any, was on a line of bake ware which was licensed under four patents, three of which are still presumptively valid. Petitioner offered to withdraw the price fixing arrangement and this offer was kept open up to the time the license was terminated (R. 71, pp. 63-4). The "Bake King" line upon which this suit was brought was never under price fixing.

Furthermore, the District Court, the Court of Appeals and this Court, in spite of having held the contract reprehensible in its entirety, have granted relief (an injunction) to Metallic, which is certainly in no better position than Katzinger.

We request reconsideration and rehearing.

Respectfully submitted,

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Attorneys for Petitioner.

I hereby certify that I am submitting the foregoing Petition for Rehearing and Reconsideration in good faith and not for delay.